



NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

FOR IMMEDIATE RELEASE

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\$100 BILLION TEACHERS' PENSION FUND ACTS AGAINST CORPORATE MISCONDUCT

CalSTRS swiftly approves Treasurer Angelides' proposed reforms

SACRAMENTO, CA – The California State Teachers' Retirement System (CalSTRS) today gave swift approval to reforms proposed by California State Treasurer Philip Angelides, a CalSTRS Board member, which are intended to root out conflicts of interest by money managers and investment banks working for the \$100 billion fund.

CalSTRS' action was taken at the request of Angelides, who announced on July 1 that he would apply a new set of "Investment Protection Principles" to investment banks doing business with the Treasurer's Office. The Treasurer manages the State's \$50 billion Pooled Money Investment Account comprised of State and local taxpayer funds, and selects investment banks to handle State bond sales – projected to exceed \$25 billion this year alone.

In the first coordinated action of its kind by major institutional investors, Angelides, New York Comptroller Carl McCall and North Carolina Treasurer Richard Moore last week called upon investment banks and money managers to comply with the reforms contained in the recent agreement between New York Attorney General Eliot Spitzer and Merrill Lynch & Co., or risk losing the right to do business with their respective States. The three officials are directly responsible for over \$200 billion in investments.

"Our first, second and third priorities are to protect pensioner and taxpayer dollars. CalSTRS sent a strong signal today that we will demand the highest standards of integrity and ethical conduct from the firms that handle our investments," Angelides said. Angelides is Chairman of the CalSTRS Corporate Governance Subcommittee, which voted to impose the "Investment Protection Principles" on money managers and investment banks used by the fund. Upon the recommendation of the Subcommittee, the full CalSTRS Investment Committee approved the policy.

The Treasurer, noting that CalSTRS and the California Public Employees' Retirement System (CalPERS) together lost \$850 million on failed WorldCom investments alone, voiced the need for institutional investors to take direct, decisive action against corporate misconduct. "Congress has to date failed to enact significant reforms, and the Securities and Exchange Commission has failed to prevent abuses that have cost families, pensioners and taxpayers billions of dollars already. The proposals presented yesterday by President Bush fell short of what is needed to restore integrity to the financial markets. That is why we, as institutional investors, must wield our consumer power in the marketplace to clean up the abuses that have cost dearly," Angelides added.

A copy of the reforms adopted by CalSTRS today is attached.

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